MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BFS1024 – STATISTICS FOR FINANCE

(All sections / Groups)

9 AUGUST 2022
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **TEN (10)** printed pages inclusive of the cover page, formulae sheet and statistical tables.
2. Answer **ALL** four questions in the answer booklet.
3. Students are allowed to use authorized calculators by lecturer only.
4. Marks are shown at the end of each question.

Question 1 [25 marks]

a) In a recent study, 65% of the homes in Klang Valley were found to have flat TVs. In a sample of six homes,

i. what is the probability that maximum 2 homes without flat TVs? [5 marks]
ii. what is the probability that more than 1 home with flat TVs? [3 marks]

b) Hitz FM finds that the distribution of the lengths of time listeners are tuned to their Breakfast Show follows the Normal distribution with a mean of 20 minutes and standard deviation of 140 seconds.

i. Find the probability that a listener tunes to their Breakfast Show for at least 18 minutes. [3 marks]
ii. Find the probability that a listener tunes to their Breakfast Show for 15 minutes to 25 minutes [5 marks]

c) An insurance company has collected the following data on the gender and race of their customers.

Marital Status

Gender	Indian	Chinese	Bumiputera
Male	25	105	60
Female	50	50	20

i. Find the probability that a selected customer is an Indian female. [1 mark]
ii. Find the probability that if a selected male customer is a Chinese. [4 marks]
iii. Find the percentage for a selected customer to be a Bumiputera or female. [4 marks]

Question 2 [15 marks]

Pahang Planning Office would like to know about the number of cars parked at the parking lot at Teluk Cempedak Seaside. Hence, a junior officer is assigned to visit the beach at random times of the day and evening to count the number of cars parked there. Below is the recorded number of cars from 14 of his visits for the past week.

25	50	20	35	55	46	51
30	30	20	25	36	42	35

Continued...

a) Find the mean number of cars parked at Teluk Cempedak Seaside and interpret your answer. [3 marks]
b) Find the median number of cars parked at Teluk Cempedak Seaside and interpret your answer. [4 marks]
c) Find the standard deviation for the number of cars parked at Teluk Cempedak Seaside. [1 mark]
d) Explain the shape of distribution for the number of cars parked at Teluk Cempedak Seaside and interpret your answer. [3 marks]
e) Determine the minimum sample size required if the Planning office would like to have their estimation to be within ± 2.5 and 90% confident, provided the population variance is 68.0625. [4 marks]

Question 3 [20 marks]

Do government employees take longer coffee breaks than private sector workers? That is a question that interested a management consultant. To examine the issue, he took a random sample of ten government employees and another random sample of ten private sector workers and measured the amount of time (in minutes) they spent in coffee breaks during the day. The results are listed below.

Government Employees	Private Sector Workers
23	25
18	19
34	18
31	29
28	18
33	25
25	21
27	21
32	20
21	26

a) Can we conclude that proportion of employees that spent more than 25 minutes per day for coffee break are higher among the government employees? [15 marks]
b) Determine the p-value of the test in (a) and make conclusion based on the p-value calculated. [5 marks]

Continued...

Question 4 [40 marks]

An economist is interested to see how consumption for an economy (in $ billions) is influenced by gross domestic product, GDP ($ billions) and debt-to-GDP ratio (percentage). The Microsoft Excel output of this regression is partially reproduced below.

SUMMARY OUTPUT

Regression Statistics

Observations	10

ANOVA

	df	SS	MS
Regression	2		16.7082
Residual	7	0.6277	
Total	9		

	Coeff	StdError	*p-value*
Intercept	− 0.0861	0.3114	0.0195
GDP	0.3654	0.0874	0.0268
Debt	− 0.0246	0.0028	0.0537

a) Determine the multiple regression line. [4 marks]
b) Calculate coefficient of determination. [5 marks]
c) Calculate and interpret the adjusted coefficient of determination. [5 marks]
d) Interpret the slope for debt-to-GDP ratio. [4 marks]
e) Is the model significant at 5% significance level? [10 marks]
f) Determine which of the independent variable to be the significant contributor to the consumption at 5% significance level. [8 marks]
g) Predict the consumption when the country has a GDP of $285.3 billion and debt-over-GDP ratio of 55%. [4 marks]

End of Question

FORMULAE

A. DESCRIPTIVE STATISTICS

Mean = $\dfrac{\sum X_i}{n}$

Standard Deviation (s) = $\sqrt{\dfrac{\sum X^2}{n-1} - \dfrac{(\sum X)^2}{n(n-1)}}$

Pearson's Coefficient of Skewness (S_k) = $\dfrac{3(\overline{X} - \text{Median})}{s}$

B. PROBABILITY

P (A or B) = P (A) + P (B) - P (A and B)

P (A and B) = P (A) P (B) if A and B are independent

P (A | B) = P (A and B) / P (B)

Poisson Probability Distribution

If X follows a Poisson Distribution P (λ) where $P(X = x) = \dfrac{e^{-\lambda}\lambda^x}{x!}$

then the mean = E(X) = λ and variance = VAR(X) = λ

Binomial Probability Distribution

If X follows a Binomial Distribution B(n, p) where $P(X = x) = {}^nC_x p^x q^{n-x}$

then the mean = E(X) = n p and variance = VAR(X) = npq where q = 1 - p

Normal Distribution

If X follows a Normal distribution N(μ , σ) where E(X) = μ and VAR(X) = σ^2

then $z = \dfrac{X - \mu}{\sigma}$

C. EXPECTATION AND VARIANCE OPERATORS

E (X) = $\sum$[X • P(X)]

VAR (X) = E(X^2) - $[E(X)]^2$

If E (X) = μ then E (kX) = $k\,\mu$, E(X + Y) = E(X) + E(Y)

If VAR (X) = σ^2 then VAR (kX) = $k^2\,\sigma^2$,

VAR (aX + bY) = a^2VAR(X) + b^2VAR(Y) + 2ab COV(X, Y)

where COV(X, Y) = E(X Y) – [E(X) E(Y)]

D. CONFIDENCE INTERVAL ESTIMATION AND SAMPLE SIZE DETERMINATION

(100 - α) % Confidence Interval for Population Mean (σ Known) = $\overline{X} \pm Z_{\alpha/2}\left(\frac{\sigma}{\sqrt{n}}\right)$

(100 - α)% Confidence Interval for Population Mean (σ Unknown) = $\overline{X} \pm t_{\alpha/2,n-1}\left(\frac{s}{\sqrt{n}}\right)$

(100 - α)% Confidence Interval for Population Proportion = $p \pm Z_{\alpha/2}\sqrt{\frac{p(1-p)}{n}}$

Sample Size Determination for Population Mean $= n \geq \frac{(Z_{\alpha/2})^2\sigma^2}{E^2}$

Sample Size Determination for Population Proportion $= n \geq \frac{(Z_{\alpha/2})^2 p(1-p)}{E^2}$

Where E = Limit of Error in Estimation

E. HYPOTHESIS TESTING

One Sample Mean Test	
Standard Deviation (σ) Known	**Standard Deviation (σ) Not Known**
$Z = \frac{\bar{x}-\mu}{\sigma/\sqrt{n}}$	$t = \frac{\bar{x}-\mu}{s/\sqrt{n}}$
One Sample Proportion Test	
$Z = \frac{p-\pi}{\sqrt{\frac{\pi(1-\pi)}{n}}}$	

Two Sample Mean Test

Standard Deviation (σ) Known

$$z = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\sigma_1^2/n_1 + \sigma_2^2/n_2}}$$

Standard Deviation (σ) Not Known

$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{S_p^2\left(1/n_1 + 1/n_2\right)}} \quad \text{where} \quad S_p^2 = \frac{(n_1-1)S_1^2 + (n_2-1)S_2^2}{(n_1-1)+(n_2-1)}$$

Two Sample Proportion Test

$$z = \frac{(p_1 - p_2)}{\sqrt{p(1-p)\left[\frac{1}{n_1} + \frac{1}{n_2}\right]}} \quad \text{where} \quad p = \frac{(n_1p_1)+(n_2p_2)}{n_1+n_2} = \frac{X_1 + X_2}{n_1 + n_2}$$

where X_1 and X_2 are the number of successes from each population

F. REGRESSION ANALYSIS

SIMPLE LINEAR REGRESSION:

Correlation Coefficient

$$r = \frac{\sum XY - \left[\frac{\sum X \sum Y}{n}\right]}{\sqrt{\left[\sum X^2 - \left((\sum X)^2/n\right)\right]\left[\sum Y^2 - \left((\sum Y)^2/n\right)\right]}} = \frac{COV(X,Y)}{\sigma_X \sigma_Y}$$

Regression Coefficient

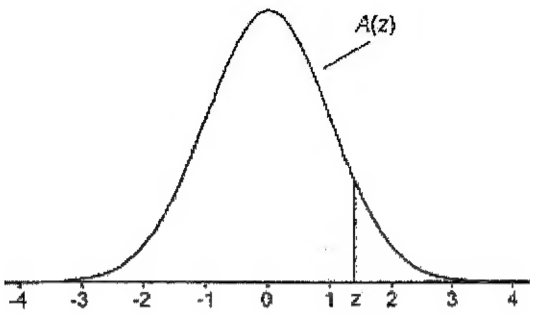
$$b_1 = \frac{\sum XY - \left[\frac{\sum X \sum Y}{n}\right]}{\left[\sum X^2 - \left((\sum X)^2/n\right)\right]} \quad , \quad b_0 = \bar{Y} - b_1\bar{X}$$

MULTIPLE LINEAR REGRESSION:

Adjusted r-square $= 1 - \left[\dfrac{(1-r^2)(n-1)}{(n-p-1)}\right]$ where p = number of independent variables

ANOVA Table for Multiple Linear Regression			
Source	**Degrees of Freedom**	**Sum of Squares**	**Mean Squares**
Regression	p	SSR	MSR = SSR/p
Error	$n-p-1$	SSE	MSE = SSE/$(n-p-1)$
Total	$n-1$	SST	
Test Statistic for Significance of the Overall Regression Model = F = MSR/MSE			
Test Statistic for Significance of each Explanatory Variable = $t^* = b_i / S_{b_i}$ and the Critical $t = t_{(n-p-1), \alpha/2}$			

Cumulative Standardized Normal Distribution



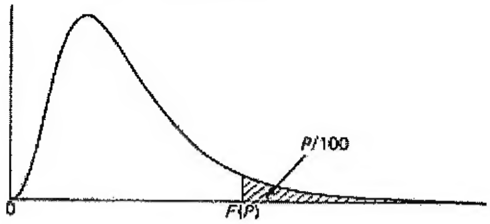
$A(z)$ is the integral of the standardized normal distribution from $-\infty$ to z (in other words, the area under the curve to the left of z). It gives the probability of a normal random variable not being more than z standard deviations above its mean. Values of z of particular importance:

z	$A(z)$	
1.645	0.9500	Lower limit of right 5% tail
1.960	0.9750	Lower limit of right 2.5% tail
2.326	0.9900	Lower limit of right 1% tail
2.576	0.9950	Lower limit of right 0.5% tail
3.090	0.9990	Lower limit of right 0.1% tail
3.291	0.9995	Lower limit of right 0.05% tail

z	0.00	0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09
0.0	0.5000	0.5040	0.5080	0.5120	0.5160	0.5199	0.5239	0.5279	0.5319	0.5359
0.1	0.5398	0.5438	0.5478	0.5517	0.5557	0.5596	0.5636	0.5675	0.5714	0.5753
0.2	0.5793	0.5832	0.5871	0.5910	0.5948	0.5987	0.6026	0.6064	0.6103	0.6141
0.3	0.6179	0.6217	0.6255	0.6293	0.6331	0.6368	0.6406	0.6443	0.6480	0.6517
0.4	0.6554	0.6591	0.6628	0.6664	0.6700	0.6736	0.6772	0.6808	0.6844	0.6879
0.5	0.6915	0.6950	0.6985	0.7019	0.7054	0.7088	0.7123	0.7157	0.7190	0.7224
0.6	0.7257	0.7291	0.7324	0.7357	0.7389	0.7422	0.7454	0.7486	0.7517	0.7549
0.7	0.7580	0.7611	0.7642	0.7673	0.7704	0.7734	0.7764	0.7794	0.7823	0.7852
0.8	0.7881	0.7910	0.7939	0.7967	0.7995	0.8023	0.8051	0.8078	0.8106	0.8133
0.9	0.8159	0.8186	0.8212	0.8238	0.8264	0.8289	0.8315	0.8340	0.8365	0.8389
1.0	0.8413	0.8438	0.8461	0.8485	0.8508	0.8531	0.8554	0.8577	0.8599	0.8621
1.1	0.8643	0.8665	0.8686	0.8708	0.8729	0.8749	0.8770	0.8790	0.8810	0.8830
1.2	0.8849	0.8869	0.8888	0.8907	0.8925	0.8944	0.8962	0.8980	0.8997	0.9015
1.3	0.9032	0.9049	0.9066	0.9082	0.9099	0.9115	0.9131	0.9147	0.9162	0.9177
1.4	0.9192	0.9207	0.9222	0.9236	0.9251	0.9265	0.9279	0.9292	0.9306	0.9319
1.5	0.9332	0.9345	0.9357	0.9370	0.9382	0.9394	0.9406	0.9418	0.9429	0.9441
1.6	0.9452	0.9463	0.9474	0.9484	0.9495	0.9505	0.9515	0.9525	0.9535	0.9545
1.7	0.9554	0.9564	0.9573	0.9582	0.9591	0.9599	0.9608	0.9616	0.9625	0.9633
1.8	0.9641	0.9649	0.9656	0.9664	0.9671	0.9678	0.9686	0.9693	0.9699	0.9706
1.9	0.9713	0.9719	0.9726	0.9732	0.9738	0.9744	0.9750	0.9756	0.9761	0.9767
2.0	0.9772	0.9778	0.9783	0.9788	0.9793	0.9798	0.9803	0.9808	0.9812	0.9817
2.1	0.9821	0.9826	0.9830	0.9834	0.9838	0.9842	0.9846	0.9850	0.9854	0.9857
2.2	0.9861	0.9864	0.9868	0.9871	0.9875	0.9878	0.9881	0.9884	0.9887	0.9890
2.3	0.9893	0.9896	0.9898	0.9901	0.9904	0.9906	0.9909	0.9911	0.9913	0.9916
2.4	0.9918	0.9920	0.9922	0.9925	0.9927	0.9929	0.9931	0.9932	0.9934	0.9936
2.5	0.9938	0.9940	0.9941	0.9943	0.9945	0.9946	0.9948	0.9949	0.9951	0.9952
2.6	0.9953	0.9955	0.9956	0.9957	0.9959	0.9960	0.9961	0.9962	0.9963	0.9964
2.7	0.9965	0.9966	0.9967	0.9968	0.9969	0.9970	0.9971	0.9972	0.9973	0.9974
2.8	0.9974	0.9975	0.9976	0.9977	0.9977	0.9978	0.9979	0.9979	0.9980	0.9981
2.9	0.9981	0.9982	0.9982	0.9983	0.9984	0.9984	0.9985	0.9985	0.9986	0.9986
3.0	0.9987	0.9987	0.9987	0.9988	0.9988	0.9989	0.9989	0.9989	0.9990	0.9990
3.1	0.9990	0.9991	0.9991	0.9991	0.9992	0.9992	0.9992	0.9992	0.9993	0.9993
3.2	0.9993	0.9993	0.9994	0.9994	0.9994	0.9994	0.9994	0.9995	0.9995	0.9995
3.3	0.9995	0.9995	0.9995	0.9996	0.9996	0.9996	0.9996	0.9996	0.9996	0.9997
3.4	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9998
3.5	0.9998	0.9998	0.9998	0.9998	0.9998	0.9998	0.9998	0.9998	0.9998	0.9998
3.6	0.9998	0.9998	0.9999							

TABLE 12(*b*). 5 PER CENT POINTS OF THE *F*-DISTRIBUTION

If $F = \dfrac{X_1}{\nu_1}\Big/\dfrac{X_2}{\nu_2}$, where X_1 and X_2 are independent random variables distributed as χ^2 with ν_1 and ν_2 degrees of freedom respectively, then the probabilities that $F \geqslant F(P)$ and that $F \leqslant F'(P)$ are both equal to $P/100$. Linear interpolation in ν_1 and ν_2 will generally be sufficiently accurate except when either $\nu_1 > 12$ or $\nu_2 > 40$, when harmonic interpolation should be used.



(This shape applies only when $\nu_1 \geqslant 3$. When $\nu_1 < 3$ the mode is at the origin.)

$\nu_1 =$	1	2	3	4	5	6	7	8	10	12	24	∞
$\nu_2 =$ 1	161.4	199.5	215.7	224.6	230.2	234.0	236.8	238.9	241.9	243.9	249.1	254.3
2	18.51	19.00	19.16	19.25	19.30	19.33	19.35	19.37	19.40	19.41	19.45	19.50
3	10.13	9.552	9.277	9.117	9.013	8.941	8.887	8.845	8.786	8.745	8.639	8.526
4	7.709	6.944	6.591	6.388	6.256	6.163	6.094	6.041	5.964	5.912	5.774	5.628
5	6.608	5.786	5.409	5.192	5.050	4.950	4.876	4.818	4.735	4.678	4.527	4.365
6	5.987	5.143	4.757	4.534	4.387	4.284	4.207	4.147	4.060	4.000	3.841	3.669
7	5.591	4.737	4.347	4.120	3.972	3.866	3.787	3.726	3.637	3.575	3.410	3.230
8	5.318	4.459	4.066	3.838	3.687	3.581	3.500	3.438	3.347	3.284	3.115	2.928
9	5.117	4.256	3.863	3.633	3.482	3.374	3.293	3.230	3.137	3.073	2.900	2.707
10	4.965	4.103	3.708	3.478	3.326	3.217	3.135	3.072	2.978	2.913	2.737	2.538
11	4.844	3.982	3.587	3.357	3.204	3.095	3.012	2.948	2.854	2.788	2.609	2.404
12	4.747	3.885	3.490	3.259	3.106	2.996	2.913	2.849	2.753	2.687	2.505	2.296
13	4.667	3.806	3.411	3.179	3.025	2.915	2.832	2.767	2.671	2.604	2.420	2.206
14	4.600	3.739	3.344	3.112	2.958	2.848	2.764	2.699	2.602	2.534	2.349	2.131
15	4.543	3.682	3.287	3.056	2.901	2.790	2.707	2.641	2.544	2.475	2.288	2.066
16	4.494	3.634	3.239	3.007	2.852	2.741	2.657	2.591	2.494	2.425	2.235	2.010
17	4.451	3.592	3.197	2.965	2.810	2.699	2.614	2.548	2.450	2.381	2.190	1.960
18	4.414	3.555	3.160	2.928	2.773	2.661	2.577	2.510	2.412	2.342	2.150	1.917
19	4.381	3.522	3.127	2.895	2.740	2.628	2.544	2.477	2.378	2.308	2.114	1.878
20	4.351	3.493	3.098	2.866	2.711	2.599	2.514	2.447	2.348	2.278	2.082	1.843
21	4.325	3.467	3.072	2.840	2.685	2.573	2.488	2.420	2.321	2.250	2.054	1.812
22	4.301	3.443	3.049	2.817	2.661	2.549	2.464	2.397	2.297	2.226	2.028	1.783
23	4.279	3.422	3.028	2.796	2.640	2.528	2.442	2.375	2.275	2.204	2.005	1.757
24	4.260	3.403	3.009	2.776	2.621	2.508	2.423	2.355	2.255	2.183	1.984	1.733
25	4.242	3.385	2.991	2.759	2.603	2.490	2.405	2.337	2.236	2.165	1.964	1.711
26	4.225	3.369	2.975	2.743	2.587	2.474	2.388	2.321	2.220	2.148	1.946	1.691
27	4.210	3.354	2.960	2.728	2.572	2.459	2.373	2.305	2.204	2.132	1.930	1.672
28	4.196	3.340	2.947	2.714	2.558	2.445	2.359	2.291	2.190	2.118	1.915	1.654
29	4.183	3.328	2.934	2.701	2.545	2.432	2.346	2.278	2.177	2.104	1.901	1.638
30	4.171	3.316	2.922	2.690	2.534	2.421	2.334	2.266	2.165	2.092	1.887	1.622
32	4.149	3.295	2.901	2.668	2.512	2.399	2.313	2.244	2.142	2.070	1.864	1.594
34	4.130	3.276	2.883	2.650	2.494	2.380	2.294	2.225	2.123	2.050	1.843	1.569
36	4.113	3.259	2.866	2.634	2.477	2.364	2.277	2.209	2.106	2.033	1.824	1.547
38	4.098	3.245	2.852	2.619	2.463	2.349	2.262	2.194	2.091	2.017	1.808	1.527
40	4.085	3.232	2.839	2.606	2.449	2.336	2.249	2.180	2.077	2.003	1.793	1.509
60	4.001	3.150	2.758	2.525	2.368	2.254	2.167	2.097	1.993	1.917	1.700	1.389
120	3.920	3.072	2.680	2.447	2.290	2.175	2.087	2.016	1.910	1.834	1.608	1.254
∞	3.841	2.996	2.605	2.372	2.214	2.099	2.010	1.938	1.831	1.752	1.517	1.000